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The Director of Central Intelligence

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Washington, D.C. 20505

National Intelligence Council

NIC 04655-85
17 September 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Graham E. Fuller
National Intelligence Officer for NESA

SUBJECT: Iran-Iraq War

1. Five years into the war the surprising fact is how static in many ways the situation has been. Very little has changed over the past two years and none of the major war issues have been resolved. Our intelligence questions still remain much the same:

- Can either side still win the war?
- What signs are there of a change in Iranian policy?
- How can Iraq escalate the war?
- Why doesn't Iraq pursue the war more aggressively?
- What would be Iran's response to a highly escalated Iraqi campaign?
- How might the war expand to involve other countries?

After at least two years of a stalemated situation, the issue of Khomeini's death still remains central: We continue to believe that Iran will pursue the war at least until Khomeini's death. And there is an even chance--depending on succession--that a successor regime might even continue the armed struggle against Iraq--but probably at a much lower level.

2. The apocalyptic scenarios for a much wider war or a drastic drop in Gulf oil production have not yet come close to occurring.

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- That possibility still cannot be fully ruled out, however. Iraq still threatens to go after the Iranian economic jugular, but has not yet done so in any systematic way. Iran likewise has yet to extend the war or visit the terrorist attacks systematically against its Gulf neighbors as it has threatened to do.
- In theory the apocalyptic scenarios we have discussed for years are even now still possible since the nature of the war has not changed significantly.

3. In all likelihood neither side can now "win" the war. Analytic differences exist here, however. The State Department believes that Iraq has peaked in its ability to defend itself and may start sliding down the security slope in the face of continued Iranian intransigence and ability to continue the war. Indeed, State seeks to formalize this position in a coming NSDD.

- Most of us in the Intelligence Community doubt this assessment. Iraq has not yet used--for reasons not fully clear--its formidable defensive and even offensive capability against Iran. We believe the Iraqi situation is not likely to deteriorate under any presently foreseeable circumstances.

4. The main question is whether Iran can continue the offensive indefinitely. Iraq has become bolder with its series of attacks on Kharg Island, but these attacks have not been effective nor sustained. Iraq likewise has not struck at economic lifelines like oil refineries within Iran. Iraqi bombing of Iranian cities was only sporadic. None of us are sure why Iraqi policy has been so conservative, but the stock answers are that Iraq is very cautious, that it promotes political rather than military generals, generals are fearful of any whiff of failure, the Iraqis are afraid to lose any aircraft for fear of giving the propaganda advantage to Iran, poor Iraqi air attack technique, and general Iraqi incompetence. Some also claim that Iraq wants to avoid alienating Iran irrevocably out of fear of excluding the possibility of longer term peace with Iran. Some also claim Iraq wishes to avoid Iranian retaliation against other Gulf states. I personally have great problems with these latter two theories. Nobody's hand in the Middle East was ever stayed out of fear of creating an irrevocable enemy; furthermore the Iraqis couldn't care less about Iranian retaliation against their wimpish Arab neighbors in the south who are only supporting Iraq to save their own hides anyway.

5. I believe the Intelligence Community may have been a little off the mark in its March SNIE on the Iranian scene. We foresaw a rather more rapid deterioration of the Iranian economic situation, public order,

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and decisiveness within the government than has occurred. All of these problems still remain, but we see no significant deterioration over the last six months--if anything now slight improvement. The regime has also cracked down on open opposition so those rebellious elements may lie close to the surface and may yet reappear.

6. One of the few new elements--at least for the moment--is a greater degree of moderation in Iranian external policy. Its rhetoric toward all of its neighbors has been much less harsh and aggressive. Iran has worked to improve its diplomatic ties with everyone including Saudi Arabia. It has publicly distanced itself from numerous acts of violence in the region. I believe Iran is now less willing to gratuitously alienate other Gulf states than before.

-- The problem is complicated by the existence of good guy/bad guy differences within the Iranian regime. The good guys have sought improved political relationships--including with the Soviet Union--while the bad guys continue to support terrorism and coup plotting. Terrorist events often take place, the roots of which were planted months if not years earlier--sometimes inconveniently. This divergence in Iranian policy makes prediction and generalization difficult.

7. The chances are Iran will continue to broaden its ties around the world. While it would be foolish to discount possible terrorist acts against any Gulf leaders or installations, probably only Kuwait--and possibly Bahrain--will bear the brunt of Iranian ire.

8. Economics will still play the critical role in determining the course of the war. If any other new element is on the scene it is that light has probably appeared at the end of the Iraqi economic tunnel. Oil shipments through the Saudi pipeline may improve its position a good bit although this could be offset by further drops in oil prices. The market will be becoming more vicious. Iran should be able to continue the war under its present economic circumstances, but clearly crippling damage to Kharg or to internal oil refineries could still change the situation--just as it has been able to do all along.

9. Iranian ship-boarding of ships passing through the Gulf to support Iraq will probably continue but is probably not designed as total confrontation with the world. I particularly doubt that Iran will seek confrontation with the US or the USSR unless Iran comes under very special pressure indeed.

10. The prospect of improvement in Soviet-Iranian relations still remains the key problem for the US. Even if it is not on the horizon now we have to remain on guard against this possibility and adjust our own

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Iranian policies accordingly. Meetings on a new NSDD on Iranian policy are just getting underway. As noted above, State believes the single critical element of our policy must remain total chokeoff of all possible arms to Iran. The prospect of an Iranian opening to the USSR either does not worry State particularly or they believe it is beyond our control anyway and hence should be downplayed.

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